Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Lifeline and Link Up Reform and Modernization	)	WC Docket No. 11-42
	)	
Lifeline and Link-Up	)	WC Docket No. 03-109
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Advancing Broadband Availability Through Digital Literacy Training	)	WC Docket No. 12-23

FURTHER NOTICE OF PROPOSED RULEMAKING

Comments of the Montana Telecommunications Association

Geoffrey A. Feiss
Montana Telecommunications Association
208 North Montana Avenue, Suite 105
Helena, Montana 59601
406.442.4316
gfeiss@telecomassn.org

Contents

Executive Summary	3
Introduction	5
Background	6
Establishing an Eligibility Database	11
Lifeline Support Amount for Voice Service	13
Conclusion	16

Executive Summary

MTA commends the Commission for tackling waste, fraud and abuse that have plagued the Lifeline Program in recent years. However, the reforms adopted in the *Lifeline Order*, while laudable, will not achieve the Commission's objective of attaining $2 billion of savings in the Lifeline Program in the next three years.

The Low Income Program, whose largest component by far is the Lifeline Program, is the only one of the four Universal Service programs that lacks a "budget." The size of the Lifeline Program has exploded since 2005, with the entry into the Lifeline market of prepaid wireless Lifeline-only ETCs. The Program is projected to exceed $4 billion and easily could surpass the size of the High Cost Program ($4.5 billion). MTA would not normally be concerned about the skyrocketing growth of the program, but for: 1) the overall size of the USF is politically constrained; thus the growth of the Lifeline program threatens the entire Universal Service Fund, and the constituencies that benefit from those programs; and 2) the continual growth of the contributions factor—directly attributable to prepaid wireless Lifeline-only ETCs—especially in the absence of any FCC action to address the contributions base. In short, the Lifeline Program's uncontrolled growth threatens universal service itself.

MTA encourages the Commission to establish a Lifeline eligibility database. However, establishing such a database is highly problematic, and MTA is not confident that such a database can be created, given state laws, privacy concerns and cross-jurisdictional challenges to sharing information among and between agencies and governments. The Commission proposes to establish such a database by year-end, 2013, using at a minimum the three social with the largest number of Lifeline consumers: SSI, Medicaid and Food Stamps. MTA thinks that the challenge in creating a national eligibility database could be so large that the Commission may be better advised to try to create a database using just one of those programs by year-end 2013. MTA also suggests that the fiscal and administrative challenges could be so substantial that the Commission should reconsider a recommendation by USTelecom to move the Lifeline Program to the general fund.

With regard to establishing an appropriate level of support, MTA asserts there should be different support amounts depending on the cost of providing voice service. The $9.25 Lifeline discount is derived from the initial Lifeline support program, which was designed to relieve consumers from the additional rate effects of the SLC when it was first imposed. Giving prepaid wireless ETCs a SLC-based support amount is directly analogous to providing them with identical support. The Commission has found that "[t]he support levels generated by the identical support rule bear no relation to the efficient cost of providing mobile voice service in a particular geography…[The] identical support rule does not provide an amount to any particular carrier that is reasonably calculated to be sufficient but not excessive for universal service purposes." The Commission eliminated identical support for CETCs in the *Transformation Order*, and it should do it here. MTA recommends a cost-based lifeline support amount. Alternatively, the Commission could establish a default lifeline support amount of $1 for prepaid wireless ETCs or an amount that removes the SLC-based identical support from the amount prepaid wireless providers receive. The Commission could establish a waiver process by which prepaid wireless ETCs file their own cost data if they choose to request a level of support that differs from the default amount.

By adopting MTA's recommendations, the Commission will be able to contain the growth of the Lifeline Program's skyrocketing funding obligations while continuing to reach an increasing number of eligible Lifeline consumers.

Introduction

The Montana Telecommunications Association ("MTA") represents rural eligible telecommunications carriers ("ETCs") serving nearly 90 percent of Montana's wireline consumers. MTA's members include small and large telecom providers, both member-owned telephone cooperatives and shareholder-owned commercial companies. All of these companies actively provide and promote the federal, and state, Lifeline Programs.

MTA appreciates the efforts of the Federal Communications Commission ("Commission") to curtail the waste, fraud and abuse that has plagued the Lifeline Program since the "wireless expansion."[1] In this regard, the *Lifeline Order* ("*Order*")[2] contains several provisions appropriately intended to mitigate the problem of consumers applying for and receiving supported service from more than one provider. However, as explained below, MTA seriously doubts that these measures substantially can contain the uncontrolled growth of the Program. Rather, the wireless expansion needs to be addressed head on, in a manner that achieves the Commission's fiscal goals while continuing to bring the benefits of the Lifeline Program to eligible consumers. In this regard, MTA will limit its comments to Further Notice subsections A ("Establishing an Eligibility Database") and D ("Lifeline Support Amount for Voice Service").

---

[1] See letter from U.S. Senator Claire McCaskill to Julius Genachowski, Chairman, Federal Communications Commission, December 9, 2011, in which Sen. McCaskill states that she "remain[s] troubled by the expansive potential for the program to be abused" and requests data on the "substantial increase in disbursements" of the program "since the wireless expansion."

[2] *In the Matter of Lifeline Reform and Link Up Reform and Modernization, et al*. WC Docket Nos. 11-42, 03-109 and 12-23; and CC Docket No. 96-45. Report and Order and Further Notice of Proposed rulemaking. (FCC 12-11) Rel. February 6, 2012. (referred to herein as "*Lifeline Order*," "*Order*" or "*Further Notice.*")

Background: Uncontrolled Growth of the Lifeline Program

MTA recently has expressed its concerns with the confusing, conflicting and burdensome implementation mandates contained in the *Order*. For example, on March 20, 2012, MTA submitted comments in support of the Petition filed by USTelecom, *et al*., seeking waiver and clarification of the *Lifeline Order*.[3] And on March 28, 2012, MTA filed comments with the Office of Management and Budget ("OMB") urging denial of the Commission's request for emergency review and approval of the *Lifeline Order's* information collection provisions.[4] In both cases, MTA contends that the Commission should take a more measured approach to implementation of the *Lifeline Order* in a manner that minimizes compliance burdens imposed on ETCs and their consumers.

Additionally, MTA filed *ex parte* comments on December 12, 2011, recommending a flat-rate, cost-based Lifeline reimbursement mechanism intended "to contain the skyrocketing growth in the Lifeline Program while continuing to make Lifeline support available to as many eligible recipients as possible."[5] MTA elaborates on this proposal in these comments.

MTA notes that the Lifeline Program is the only Universal Service Program that has no budget.[6] And ironically, or perhaps as a logical consequence, the

---

[3] *In the Matter of Lifeline Reform and Link Up Reform and Modernization*, *et al*. WC Docket Nos. 11-42, 03-109 and 12-23; and CC Docket No. 96-45. Petition for Waiver and Clarification of the United States Telecom Association, The Independent Telephone and Telecommunications Alliance, the National Telecommunications Cooperative Association, the Organization for the Promotion and Advancement of Small Telecommunications Companies, the Western Telecommunications Alliance and the Eastern Rural Telecom Association. March 9, 2012.

[4] Re: Information Collection Being Submitted to the Office of Management and Budget for Emergency Review and Approval under the Paperwork Reduction Act. OMB Control Number: 3060-0819. Comments of the Montana Telecommunications Association, via email to Nicholas Fraser (OMB) and Judith Herman (FCC). March 28, 2012.

[5] *In the Matter of Lifeline Reform and Link Up Reform and Modernization*. *Ex parte* comment of the Montana Telecommunications Association. December 12, 2011.

[6] The *Order* infers that the Commission will be "in a position to determine the appropriate budget for Lifeline in early 2013 after monitoring the impact of today's fundamental overhaul of the program and addressing key issues in the Further Notice of Proposed Rulemaking (*FNPRM*), including the appropriate monthly support amount for the program." (*Order*, ¶ 4.) Interestingly, unlike the High Cost Program reforms adopted in

Lifeline Program is the only program experiencing rampant, uncontrolled growth. The efforts to contain waste, fraud and abuse—primarily through control of duplicate support—will not come close to achieving the "savings" that the *Lifeline Order* purports to attain.

As the *Order* points out,

> Since 2005, a number of pre-paid wireless providers have become Lifeline-only ETCs, competing for low-income subscribers by marketing telephone service that provides a specified number of minutes at no charge to the consumer. This development has expanded choices in many states for low-income consumers, who now have greater access to mobile services than a decade ago, but it has also led to significant growth in the Fund in the last several years, and has likely contributed to the increasing telephone penetration rate of consumers making less than $10,000 a year. Pre-paid wireless ETCs now account for more than 40 percent of all Lifeline support." (*Order*, ¶23) [footnotes omitted]

Data provided by the Universal Service Administrative Company ("USAC") reveal that from 2000 through 2011, Lifeline support disbursed to incumbent local exchange carriers ("ILECs") ranged between $535 million (2011) and $726 million (2004), averaging $634 million a year. In 2000, Lifeline support disbursed to competitive eligible telecommunications carriers ("CETCs") was $1.1 million. By 2005, CETC support had grown to $51 million. It practically doubled the next year to $101.5 million, as prepaid wireless providers "discovered" the program. Since 2005, CETC Lifeline support ballooned from $51 million to $1.2 billion in 2011, accounting for 70 percent of all Lifeline support.

USAC estimates Low Income Program demand for the 2nd Quarter of 2012 at $622 million, or nearly $2.5 billion (larger than the Schools and Libraries Program) on an annual basis—assuming quarterly growth of the program suddenly stops in 2Q12, an unrealistic assumption given the continuous growth of the program since 2005. In the last year alone, Low Income Program support grew from $384 million in 2Q11 to $622 million in 2Q12, accounting for nearly 2

---

the *Transformation Order* (FCC 11-161), where the Commission established a budget *prior to* adopting its reform order, the Commission chose to determine an appropriate budget for the Lifeline Program only *after* reviewing the effects of its reform order.

percentage points of growth of the universal service contribution factor since 2011. As the Commission notes, the proliferation of CETCs into the Lifeline Program accounts for this skyrocketing growth. In 2000, eleven CETCs received Low Income support. By 2011, 648 CETCs were receiving Low Income support.[7]

A USAC study of Lifeline participation revealed that in 2010, the Lifeline participation rate was 35%. USAC estimated that the 4Q10 participation rate was 37 percent. Penetration rate data for 2011 is unavailable; however, assuming a continual growth in the penetration rate, MTA speculates that the penetration rate could be as high as 50 percent. Using 4Q11 Low Income Support of $525 million ($2.1 billion on an annual basis) means conservatively that if 100% of eligible consumers were to receive Low Income support, the Low Income Program would grow $4.2 billion.[8] It is entirely possible that the Low Income Program did not reach the 50% penetration rate in 4Q11, especially given the expanded eligibility base resulting from the *Order*, in which case, the Lifeline Program can be expected to grow to over $4.2 billion, thereby surpassing the size of the High Cost Program.[9]

---

[7] Between October 1 and December 13, 2011, alone, USAC approved 41 new study area code requests from newly designated ETCs. Eight additional carriers had forbearance petitions pending with the FCC. In addition, USAC was aware of approximately 200 petitions for ETC designation pending with state public service commissions. (High Cost/Low Income Update. 1/31/12)

[8] This assumes: 1) 50% of eligible consumers were receiving support by the end of 2011; and 2) eligibility criteria are static. However, as noted, the *Order* significantly expands the base of potentially eligible consumers. Note, too, that the *Order* eliminates non-Tribal Link up and toll limitation support, which accounted for $37 million in 4Q11. (Link Up support demand projection grew to $46 million in 2Q12.) However, the *Order* expands Tribal Link Up support, so the net effect of the *Order* on Link Up support is unknown, but it can be assumed to be less than the effect of total elimination of Link Up support. Further, the Low Income Program easily could exceed $4.2 billion if 4Q11 is not actually the period in which the Lifeline penetration rate reached 50%.

[9] As the *Order* states, "In the absence of today's Order…the program would provide an estimated $2.4 billion in support in 2012." (*Order*, ¶23) This may be a low estimate, given recent USAC data. However, if $2.4 billion represents roughly half of the eligible Lifeline subscriber base (depending on when the half-way mark is reached), then it's easy to see the Lifeline Program growing to $4.8 billion, notwithstanding reforms adopted in the *Lifeline Order*.

The Commission argues that the reforms contained in the *Lifeline Order* will mitigate the growth of the Program. However, the "savings" achieved by elimination of duplicate support won't even achieve the Commission's goal of $200 million in 2012, let alone $2 billion in three years.[10] It is highly questionable, at best, whether other reforms in the *Order* will attain additional savings. In fact, if anything, the *Order* expands, rather than contracts, the financial obligations of the Lifeline Program.

In announcing adoption of the *Lifeline Order*, the Commission indicated that its "efforts in 2011…eliminated nearly 270,000 duplicate subscriptions in 12 states following review of over 3.6 million subscriber records, saving $33 million."[11] To attain these savings, the Commission directed USAC in April, 2011, to conduct in-depth data validations ("IDVs") to identify potential duplicate Lifeline support. USAC reported in January, 2012, that it had conducted IDVs in twelve states.[12] The twelve states selected for the initial IDV reviews account for over 40% of all Low Income support in 2011.[13] If the Commission were able to eliminate $33 million of duplicate support in states receiving 40% of all Lifeline support, then (assuming a simple extrapolation with no other variables) it should be able to find nearly $85 million of duplicate support in 100% of the states and U.S. Territories. Eighty-five million dollars falls rather short of the $200 million first-year (2012) savings the Commission seeks. MTA is at a loss to ascertain how the Commission will achieve an additional $1.9 billion savings in 2013-2014.

In fact, with the substantial expansion of eligibility criteria under the *Order* to include new nationwide income- and program-based eligibility factors, it is

---

[10] *Order*, ¶ 2. "[The] unprecedented reforms adopted in today's Order could save the Fund up to an estimated $2 billion over the next three years, keeping money in the pockets of American consumers that otherwise would have been wasted on duplicative benefits, subsidies for ineligible consumers, or fraudulent misuse of Lifeline funds."

[11] "FCC Reforms, Modernizes Lifeline to Keep Low-Income Americans Connected to Jobs, Family, 911 Services." FCC NEWS. January 31, 2012.

[12] See letter from Karen Majcher, VP, USAC, to Sharon Gillett, Chief, Wireline Competition Bureau, FCC. "Re: Results of Lifeline Duplicate In-Depth Data Validations, WC Docket No. 11-42, CC Docket No. 96-45, WC Docket No. 03-09." January 31, 2012.

[13] 2012 USAC Annual Report. p. 44.

highly probable that the Lifeline Program will continue to see substantial growth. And expanding the Program to include broadband service only further increases the Program's funding obligations.

For example, in Montana, federal and state Lifeline support is statutorily limited to Medicaid recipients.[14] Expanding eligibility to include income-based criteria, as well as SSI, SNAP, Section 8 Housing Assistance, TANF, School Lunch, and LIHEAP, can only expand the base of eligible Lifeline consumers. It is too early to determine the extent to which the *Order's* expansion of Lifeline benefits in Montana will grow the eligible subscriber base and the related effects on the size of the Lifeline Program. The MTPSC has scheduled a Roundtable with stakeholders on April 23, 2012. Among the questions to be discussed at the Roundtable are which agencies—beyond Montana's Department of Health and Human Services, which verifies Medicaid eligibility under current law—will need to become involved in the Lifeline Program and what fiscal considerations will need to be taken into account.

The unmitigated growth of the Lifeline Program would not normally be of concern to MTA. In fact, MTA's members have been engaged actively with the Lifeline Program since its inception, and these companies are proud to be able to subsidize the initiation of telecommunications service and the monthly charges of low income telephone consumers in Montana. Indeed, Montana continually ranks among the nation's least wealthy states on a per-capita income basis; so the Lifeline Program has been particularly important in making telephone service accessible and affordable to many consumers in Montana.[15] Thus, the expansion of the Program to include even more low income consumers is a laudable goal, and one that will directly benefit Montana's low income consumers.

---

[14] The Montana Public Service Commission ("MTPSC") has asked for a waiver of the Order until June 1, 2013, to give the Montana Legislature—which doesn't convene until January, 2013, time to amend Montana's Lifeline law.

[15] Montana ranked 35th in the Nation in per capita income of $36,573 in 2011. Bureau of Business and Economic Research, University of New Mexico. http://bber.unm.edu/econ/us-pci.htm. (last revised: 3/28/12)

However, two critical considerations cause MTA to be concerned about the uncontrolled growth of the Lifeline Program. First, there appears to be no political will to grow the overall size of the Universal Service Fund ("USF").[16] Second, relatedly, the Universal Service contribution factor continues to grow as a result of increasing demand—almost exclusively attributable to the Lifeline Program—and decreasing contributions base. Without the Commission seriously addressing the contributions base by including all telecommunications providers who use the PSTN, the Lifeline Program threatens to implode the entire Universal Service Fund, thereby threatening investment in high cost infrastructure, schools and libraries, rural health care institutions, and the consumers who rely on such investment in these vital universal service programs.

Consequently, MTA is concerned about the wild expansion of the Lifeline Program's funding obligations.

Fortunately, as discussed below, MTA believes that there may be a way actually to achieve substantial, real savings the Commission desires without depriving eligible Lifeline consumers of the benefits of the Lifeline Program.

<u>Establishing an Eligibility Database</u>

MTA believes an eligibility database administered by USAC[17] would be the most efficient manner in which to establish an eligibility verification mechanism, *provided such a mechanism is fiscally and administratively feasible*.[18]

[16] Although the 2012 USAC Annual Report indicates the overall size of the Fund–based on disbursements, and not demand--was $8.1 billion in 2011, it is not a stretch to estimate that demand on the USF soon will reach $9 billion primarily due to the continued growth of the Lifeline Program. What will be the political reaction when the USF reaches $9 billion and more?

[17] MTA concurs with Verizon's and AT&T's recommendation "that a national third-party administrator, not the ETCs, should…make a determination of eligibility." Such third-party review would "relieve carriers from the burden of having to make initial determinations of eligibility…" (*Further Notice*, ¶ 414, and fn. 1065) In this regard, given that the Commission has already directed USAC to administer the recertification process, it makes sense to ask USAC to perform initial certifications.

The Commission suggests starting the process of developing an "automated means to determine Lifeline eligibility for, at a minimum, the three most common programs through which consumers qualify for Lifeline" (i.e., Medicaid, SSI, and Food Stamps).[19] MTA concurs, in part. Given the challenges involved in developing an eligibility database, as the Commission discusses in the *Further Notice*, it may be a more reasonable goal to establish by the end of 2013 a database using *just one* of the three most common programs through which consumers qualify for Lifeline.

The *Further Notice* acknowledges the complexity involved in developing a national eligibility database.

> The record indicates that eligibility data is typically housed at state social service agencies and separately administered from the Lifeline program, posing an obstacle to broader implementation of electronic eligibility checks…Some states do not have an easily accessible centralized electronic depository for even the individual programs which qualify consumers for Lifeline, let alone a coordinated system across all such programs, and even those that have established such systems may face limitations, due to cost or privacy concerns... (¶ 401)

As MTA understands it, this statement accurately describes the Lifeline environment in Montana. There are strict privacy provisions, both federal and state, that prohibit sharing eligibility and participation information even among agency staff within the same division, let alone between departments or agencies. Thus, MTA is far from convinced that a multi-jurisdictional database can be established.

Paradoxically, without such a database, the new eligibility criteria effectively become an unfunded mandate of unknown cost and burden on states,

---

[18] MTA is not at all confident that an eligibility database, as beneficial in theory as it seems, is feasible in practice. Alternatively, rather than further risking the viability of the Universal Service Fund with an administratively complicated and potentially fiscally prohibitive eligibility database, MTA suggests that the Commission seriously reconsider the recommendation of US Telecom to fund the Lifeline Program from General Revenues. (See Comments of the United States Telecom Association; WC Docket Nos. 11-42 and 03-09, and CC Docket No. 96-45. April 21, 2011.)

[19] *Further Notice*. ¶ 403, 411.

ETCs, and their consumers.[20] Thus, a national database is essential in implementing the *Order* in a manner that reasonably manages compliance burdens, but establishing such a database is highly problematic.

Lifeline Support Amount for Voice Service

The *Further Notice* asks for comment on "the optimal level of Lifeline discount that will help us accomplish our goals." The Commission asks, further, whether support "should be uniform or vary in some way."[21]

MTA reiterates its recommendation, as proposed in its *ex parte* comment of December 12, 2011, *supra*, that the Commission establish a cost-based, flat rate reimbursement mechanism for prepaid wireless providers that is distinct from the Lifeline discount rate provided to wireline incumbent carriers. Currently, and under the new rules adopted in the *Order*, all ETCs, regardless of cost structure or technology platform, receive an identical level of Lifeline support (i.e., $9.25). This methodology of providing identical support to wireline and wireless carriers alike is directly analogous to the CETC identical support mechanism which the Commission has eliminated in the *Transformation Order* (FCC 11-161).[22]

As the Commission discusses in the *Lifeline Order*, the Lifeline Program initially was intended to relieve consumers of the effects of a rate increase resulting from the establishment of the subscriber line charge ("SLC").[23] The

[20] In fact, MTA urges the Commission to delay implementation of new eligibility criteria until such a database, combined with the National Lifeline Accountability Database provided in the *Order*, are established and operational.
[21] *Further Notice*, ¶ 462
[22] In eliminating the identical support rule, the Commission stated that "[t]he support levels generated by the identical support rule **bear no relation to the efficient cost of providing mobile voice service in a particular geography**. (*Transformation Order*, ¶ 504) "…we find that the identical support rule does not provide an amount to any particular carrier that is **reasonably calculated to be sufficient but not excessive** for universal service purposes." (¶510) [emphasis added.]
[23] *Order*, ¶ 12. "The [Lifeline] program made carriers whole after waiving the SLC for low-income consumers."

amount of the Lifeline discount averages $9.25, an amount that remains effectively linked to mitigating the end-user rate effect of the SLC. The amount of the Lifeline discount has no analogous counterpart in the prepaid wireless ecosystem, where SLCs never existed. Yet, prepaid wireless Lifeline-only ETCs receive the same SLC-based Lifeline discount of $9.25 that incumbent ETCs receive. Such an amount "bears no relation to the efficient cost of providing mobile voice service;" nor can such an amount "reasonably [be] calculated to be sufficient but not excessive for universal service purposes."[24]

As mentioned, *supra*, the Lifeline Program has ballooned since 2005 almost exclusively as the result of the "wireless explosion:" the entry of hundreds of mostly prepaid wireless, Lifeline-only ETCs. The flood of wireless carriers into the Lifeline "market" cannot be attributed solely to a sudden surge of corporate altruism. It is reasonable to assume that entering the Lifeline market is profitable for wireless carriers—or they would not have entered the market.[25] For incumbent ETCs, the Lifeline Program is a function of their provision of advanced telecommunications service throughout their service area. For wireless Lifeline-only ETCs, Lifeline Program is the reason for entering a market. These Lifeline-only ETCs have build business models on sustaining their operations from the support they receive from the Lifeline Program.

The purpose of the Lifeline Program is not to support corporate business plans. While one effect of the wireless explosion admittedly has been a dramatic expansion in the number of Lifeline consumers, this expansion—under current rules—has come at a price, as illustrated above by the dramatic growth in Lifeline demand, consequent ballooning funding obligations, and the inherent risk to the sustainability of the USF.

MTA submits that the goal of the Lifeline Program—to provide affordable access to telecommunications service—and the goals of the *Lifeline Order*—to

[24] *Op Cit*. *Transformation Order*, ¶¶ 504, 510.

[25] Wireline ETCs, on the other hand, are already in the market. They have already invested in infrastructure and provide telecom services to all consumers within their service areas. For ILECs, Lifeline is one of a number of service offerings—as opposed to the only service—these carriers offer consumers.

eliminate waste, fraud and abuse of the Lifeline Program while striving for $2 billion of savings in the next three years—can be achieved by developing a cost-based discount mechanism for prepaid wireless Lifeline-only ETCs. The Commission can establish a cost-based Lifeline support amount for prepaid wireless ETCs by gathering cost data from these providers related to their cost of providing a set amount of free, or low cost ("affordable") minutes.[26] The Commission would then establish a national average cost for prepaid wireless voice service, which would constitute the amount of Lifeline discount for all prepaid wireless Lifeline ETCs.

Alternatively, the Commission could establish a default Lifeline support amount for prepaid wireless Lifeline-only ETCs.[27] MTA suggested a default reimbursement amount of $1 in its December 12, 2011 *ex parte* comments.[28] If carriers object to the default support amount, the Commission could provide a waiver process by which carriers seek a level of support based on their own specific costs of providing a set amount of minutes at an affordable rate.[29]

---

[26] The purpose of universal service is to provide access by all Americans to comparable telecommunications services at comparable rates. One can question whether universal service should subsidize rates to the point of being free to the consumer (i.e., whether "free" is" comparable").

[27] At a minimum, the Commission should eliminate the SLC-based components of the Lifeline support amount: Tiers 1 and 2, for a total of $8.25. The Commission is familiar with default settings. For example, the Commission has set a default (i.e., safe harbor) for wireless minutes subject to universal service assessment.

[28] TracFone replied that a "reduction in the Lifeline support level from the current amount of approximately $10 per month to $1 per month would make it infeasible for TracFone or any other ETC to provide a Lifeline Offering…" TracFone did not provide any evidence as to whether the $10 per month it receives is excessive, or what amount of support accurately reflects its actual cost of providing Lifeline service.

[29] Rachel Metz. "Free Wireless Broadband for the Masses." technology review. March 28, 2012. FreedomPop has announced plans to offer "roughly a gigabyte of free high-speed mobile Internet access per month on Clearwire's WiMAX network and forthcoming LTE network." NetZero "offers 200 megabytes of free wireless data per month." (see http://www.technologyreview.com/communications/40000/?nlid=nldly&nld=2012-03-29) If these carriers believe they can build their enterprises based on free service, without any Lifeline support, one wonders how much of the $9.25 of Lifeline support received by wireless Lifeline ETCs covers cost and how much may be considered excessive for universal service purposes.

By eliminating the Lifeline identical support rule, the Commission potentially could save $2 billion over the next three years. A cost-based Lifeline support mechanism would remove the financial incentives of the identical support rule which has led to the wireless explosion. Growth of the Program would be based on demand, not on profits. The amount of support a prepaid wireless ETC receives per eligible consumer could be reduced significantly, yet the consumer would see no difference in the service provided. The Lifeline Program could grow in terms of consumers served, but growth of Lifeline funding obligations, and their related threats to the size of the Universal Service Fund and contribution factor, would be mitigated substantially.

Conclusion

Notwithstanding appropriate and laudable efforts by the Commission to mitigate waste, fraud and abuse that have plagued the Lifeline program in recent years, the continued growth of the Program in the foreseeable future threatens viability of the entire universal service fund. The uncontrolled growth of the Lifeline Program is attributable to the explosion of prepaid wireless Lifeline-only ETCs that have flooded the Lifeline market since 2005. The Lifeline discount received by these ETCs is the equivalent of identical support received by CETCs in the High Cost Program. Just as the Commission has eliminated identical support in the High Cost Program, it should eliminate identical support in the Lifeline program, and substitute it with a cost-based flat rate discount for prepaid wireless Lifeline-only ETCs.

MTA's recommendations will preserve the integrity of the Universal Service Fund, continue to bring the benefits of the Lifeline discount to eligible consumers and contain the uncontrolled growth of the Lifeline Program's funding obligations, as the Commission intends.

MTA is pleased to submit these comments and is happy to respond to any questions or comments the Commission may have.

Respectfully submitted,

__________/s/__________________

Geoffrey A. Feiss, General Manager
Montana Telecommunications Association
208 North Montana Avenue, Suite 105
Helena, Montana 59601
406.442.4316
gfeiss@telecomassn.org

April 2, 2012